

MINUTES
LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT
BOARD OF TRUSTEES' RISK MANAGEMENT COMMITTEE MEETING
LAS VEGAS, NEVADA
June 14, 2012
(approved July 12, 2012)

The Board of Trustees' Risk Management Committee of the Las Vegas-Clark County Library District met in the West Las Vegas Library, Las Vegas, Nevada, at 4:00 p.m., Thursday, June 14, 2012.

Present: Committee: K. Crear, Chair
Y. Yturralde
C. Reese
K. Benavidez, ex-officio

Board: S. Moulton

Counsel: G. Welt

Absent: S. Bilbray-Axelrod

Staff: Jeanne Goodrich, Executive Director
Steve Rice, General Services Director
Jerilyn Gregory, Human Resources Director
Allison Boyer, Executive Assistant

Guests: Charles Dorsey, Wells Fargo Insurance Services
Lisa Dixon, Wells Fargo Insurance Services

K. Crear, Chair, called the meeting to order at 4:00 p.m.

Roll Call (Item I.) All members listed above represent a quorum. Counsel Welt arrived at approximately 4:45 p.m. Trustee Bilbray-Axelrod had a scheduling conflict – excused absence.

Public Comment (Item II.) None.

Agenda (Item III.) Trustee Benavidez moved to approve the Agenda as proposed. There was no opposition and the motion carried.

Discussion and possible Committee action regarding a report from the District's broker regarding proposals for contract award for property and casualty insurance and public officials and employment practices liability insurance for the policy year commencing on July 15, 2012. (Item IV.) General Services Director Steve Rice introduced Charles Dorsey and Lisa Dixon, who represent the District's insurance broker, Wells Fargo Insurance Services (WF). Mr. Rice said he had asked Mr. Dorsey and Ms. Dixon to provide information on their services to the District and to go over details of the District's insurance coverage as there are several new members of the Committee.

Mr. Dorsey explained that WF is not an insurance carrier, but an intermediary between the client and the insurer. As a broker, Mr. Dorsey identifies the best insurers for the District's needs and evaluates the proposed insurance policy to ensure the District's insurance needs are met. There are about 4,000 insurance carriers in the open market and he and his staff determine which insurers would be the most appropriate carriers for the District in terms of available coverage, price, and the acceptance of risks in covering a public entity with a large amount of square feet open to the public.

Mr. Dorsey works under a written flat fee agreement with the District. While normally the broker is paid a commission by the insurer, this is not the case with WF. The commission costs are included in the

premium costs, so the District does not pay an additional amount. The flat fee the District pays WF is lower than the 12.5% commission paid by the insurer and WF will rebate the difference to the District.

Mr. Dorsey said that he had been working with the District starting with coverage in FY 2006-2007. At that time the insurer was Chubb, who had covered the District for a number of years. Every year, Dorsey and his staff market the District's insurance coverage. For FY 2008-2009, Traveler's Insurance Company (Traveler's) came in with a very low bid and won the contract. For FY 2009-2010, Traveler's came back with a higher bid. Philadelphia Indemnity Insurance Company (Philadelphia) also included a three year rate guarantee in their bid if the District had no losses during that period of time. Philadelphia was the low bid and won the coverage. They are the District's current insurer.

Mr. Dorsey contacted Philadelphia to see if they were interested in another three year rate guarantee as the guarantee will expire at the end of the current policy year, July 14, 2012. He was advised that they could not offer the rate guarantee again. Philadelphia had cost increases due to higher re-insurance costs and significant losses with the extreme weather of the last few years. In that, they are not alone, as Mr. Dorsey said that all insurers were raising rates.

Mr. Dorsey said that the District purchases multiple lines of coverage and explained the different types of insurance coverage the District maintains.

Commercial General Liability: This is the District's third party liability coverage for operations, premises and employees. There are exclusions to this coverage and most of the time exclusions are covered with other types of insurance. This type of insurance covers basic trip and falls claims and medical payments claims to cover complaints when there is no liability. Mr. Dorsey explains this insurance is a way to buy out a claim without incurring litigation. Also, Mr. Rice and the Facilities staff have spent a lot of time on preventative maintenance which has limited these occurrences. Insurers look at the frequency and severity when deciding on premium costs and the District has a very low number of these claims.

Mr. Dorsey noted that, as he mentioned earlier, this is the area in which the District will see a large increase in the premium cost from the previous year. This is due to the very low premium cost in previous years and because this is the only area where the District has had claims in previous years.

Property: This area of coverage accounts for the majority of the premium cost and program due to the large amount of property the District has. This covers the District's buildings, business personal property (such as furniture and office equipment), signs and the District's collection (books, DVDs, etc.). There is also coverage for several large pieces of facilities equipment, the District's fine arts collection, IT's computers, software and servers, as well as interruption coverage in case of property damage (storage costs for the collection and equipment, staff costs to process and reshelve books). This area

also includes coverage for floods (for the Moapa Valley and Moapa Town branches only) and earthquake coverage (for owned buildings only). The premium cost in this area has also increased.

In response to a question from Trustee Moulton, Mr. Dorsey clarified that the flood insurance was only for specific branches in Zone C and does not cover damage from broken pipes. Flood insurance covers losses from "surface water" only. Trustee Moulton also asked about the determination of property value, asking whether it was based upon the sales price or property tax records. Mr. Dorsey explained that the coverage is based upon replacement values for buildings.

At this time, Mr. Dorsey passed around a sheet showing the insurance premiums paid by the District since WF had become the District's broker. Initially, the District paid a premium for all insurance of \$296,847.00 during FY 2006-2007. The proposed premium cost for FY 2012-2013 is \$295,922.00. Property values for the District during the same period of time have increased from \$135,320,825.00 to \$314,927,880.00, a 132.73% increase. This was mainly due to the new facilities (the Centennial Hills Library and Windmill Library and Service Center).

Automobile Liability: This area of insurance covers the 31 vehicles and one power unit belonging to the District. Mr. Rice noted that in the last 10 years, the District has only had one claim on this policy. Mr. Dorsey said that is why the premium in this area had gone down. The policy also covers employees who use their own car on District business and accidents to vehicles delivering District equipment. In response to questions from Trustees Reese and Moulton about the reasoning for the medical payments coverage, staff explained that District staff does sometimes carry non-employees in their cars during the course of their District work. Human Resources Director Jerilyn Gregory explained that is why the District has rules for employees to follow regarding driving on District business, which includes requiring an annual DMV report and drug testing in case of an accident.

Umbrella coverage: This coverage is a way to increase the District's limits on its liability coverages to allow for catastrophic events. It includes \$20 million in coverage, with \$15 million covered by Philadelphia and \$5 million covered by Travelers.

Director and Officers, Employment Practices, Cyber and Internet Liability coverage: This coverage, added in FY 2006-2007, covers Trustees for their actions and the District for claims of discrimination, sexual harassment, wrongful termination and several other areas. Mr. Dorsey explained that the retention level of \$50,000, another word for deductible, was set up so the District could manage its claims. Counsel Welt, in response to questions by Trustees, explained that the high retention figure was so that the District could maintain control and manage its claims. The District could then determine if a particular case involved issues it was better to litigate or settle. It is an insurance company's best interest to settle and the District may not want to. If a specific case, after a certain amount, was not going to be

settled to the District's satisfaction, then the District will turn it over to the insurance company.

Mr. Dorsey then discussed the marketing of the District's insurance coverage. Nine companies were approached to provide quotes, including the current insurer, Philadelphia. Each was provided with a copy of the current coverage, including the claims history. Five declined to quote as they felt they were unable to compete or the District was too small for the company to cover. One was willing to consider with a \$250,000 SIR (self-insured retention). With a SIR in place, the District would have a \$250,000 deductible on every single loss. One never responded to the request. Philadelphia was the only insurer to respond with a full quote.

Mr. Dorsey also discussed the District's claims history. Claims under the Commercial General Liability line totaled two in FY 2011-2012, with a total of 20 in the previous four years. Claims in the property liability line were zero in the last two years. Claims in the automobile liability line totaled zero in the last three years. Dorsey applauded the District for their regular maintenance and staff training. Ms. Goodrich said that the District strives for consistency in enforcing District policies and rules.

Mr. Dorsey then went over Philadelphia's proposed premium costs:

Insurance Line	Premium Cost: FY 2011-2012	Proposed Premium Cost: FY 2012-2013
Commercial General Liability	\$12,738	\$21,590
Property	\$163,821	\$182,844
Automobile Liability	\$50,525	\$46,531
Umbrella	\$17,270	\$18,370 ^A
Directors & Officers, Employment Practices, Cyber & Internet Liability	\$24,155	\$26,587
TOTAL	\$268,509^B	\$295,922^C

^A Of the total coverage of \$20 million, \$15 million will be provided by Philadelphia and \$5 million will be provided by Travelers.

^B This total includes all endorsements made for changes in coverage during the policy year.

^C This total includes a commission cost of 12.5% to WF with any amount over the flat fee agreement rebated to the District.

Ms. Goodrich commented that Mr. Rice had been in communication with Mr. Dorsey. Rice was aware that the District's premium cost would increase. This was accounted for in his department's budget

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amount for the FY 2012-2013 Budget, approved by the Board of Trustees at the May 17, 2012 meeting.

Trustee Yturralde moved to recommend to the Board of Trustees that a contract for property and casualty insurance be awarded to Philadelphia Indemnity Insurance Company and Traveler's Insurance Company at an annual premium of \$269,335.00 for the policy year commencing on July 15, 2012 and moved to recommend to the Board of Trustees that a contract for Public Officials and Employment Practices Liability Insurance be awarded to Philadelphia Indemnity Insurance Company at an annual premium of \$26,587.00 for the policy year commencing on July 15, 2012. There was no opposition and the motions carried.

**Public Comment
(Item VI.)**

None.

**Adjournment
(Item VI.)**

Chair Crear adjourned the meeting at 5:25 p.m.

Respectfully submitted,

Keiba K. Crear, Chair